

# Local London



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## *Local London Skills Strategy*

**Ambitious • Aspirational • Courageous**

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**December 2017**



## Local London Skills Strategy

### Contents

Foreword by the Mayors and Leaders of <i>Local London</i> Boroughs	2
Executive Summary	4
Vision	4
Priorities	4
Discussion	6
Scope and Context	6
Skills Demand	6
Expansion Demand (Growth Demand)	6
Replacement Demand	7
Public Sector Requirement	8
Industry Sectors	9
Challenges	10
Skills Challenges	10
Social Challenges	10
Business Challenges	11
Next Steps	13

## Foreword by the Mayors and Leaders of *Local London* Boroughs

- The *Local London* Skills Strategy forms an integral part of the devolution of the skills system in London, the principles for which have been set out by GLA and London boroughs through London Councils and sub-regional partnerships (SRPs)<sup>i</sup>. It is designed to support and work in partnership with the Mayor of London to contribute to the development of a skilled workforce within *Local London* and other sub-regions in concert with the Skills for Londoners strategy<sup>ii</sup>.
- The main purpose of the Skills Strategy is to upskill and re-skill residents in order to progress convergence<sup>iii</sup> between the wealthiest and poorest communities across London; closing the gap in performance and prospects of residents, supporting businesses by enabling them to access the workforce they need and creating a virtuous circle of investment and growth in *Local London* through a balanced and sustainable economy which works for the benefit of all.
- Economic prosperity for the sub-region will be achieved through inclusive growth, where people of all ages and abilities have equality of access to first rate learning opportunities across *Local London*, facilitating social mobility and enabling the full potential of its residents to be realised.
- The opportunity presents itself to build upon the legacy and lessons learnt following the successful bid and hosting of the 2012 Olympics, and continue to focus on long-standing issues facing residents in the sub-region: low skills, low pay, access to ESOL, progression to higher education. Devolution of the Adult Education Budget (AEB) is considered the first stage of gaining increased devolved budgets to GLA and the sub-regions, who are best placed to provide an homogenous and inclusive wrap-around service for residents of all abilities at the local level, meeting the needs of local businesses through local knowledge.
- Investing the AEB locally will contribute towards promoting and creating parity of esteem between academic and vocational qualifications, providing accessible pathways and career routes to higher level technical skills, as well encouraging access to higher level and degree Apprenticeships. Access to impartial all-age Careers Education Information Advice and Guidance (CEIAG) is key to achieving our strategic intent; a quality provision which is seamless across all stages of the education system from school through to adulthood, and forms a key strand of the devolved funding ask from Government to GLA.
- The key objectives of the Skills Strategy are:

- To equip *Local London* residents with the appropriate level of skills and qualifications required to achieve a better fit in meeting the needs of local businesses and employers. (Increasing local employment rates.) (KPI TBA)
- To equip *Local London* residents with the appropriate level of skills and qualifications required to contribute to, participate in and take advantage of London-wide career and employment opportunities. (Increasing working age employment rates.) (KPI TBA)
- To meet individual career aspirations of *Local London* residents by providing pathways to employment for people of all ages and abilities, in order for them to be professionally fulfilled and economically active throughout their episodic careers and working life. (Reducing level of low skills and increasing level of higher skills and qualifications.) (KPI TBA)
- To facilitate engagement between local businesses and education and training providers (via a Skills and Employment Board (SEB)), enabling employers to influence the curriculum, working in partnership to support the development of the future workforce. (KPI TBA)
- To work with local businesses and employers (via SEB) to ensure that public funding (including capital expenditure) underpins employers' workforce development spend, working in partnership to address market failures. (KPI TBA)
- To address the low pay levels that exist within the sub-region, tackling this inequality through skills progression and employment opportunities to achieve pay levels commensurate with at least the London average. (KPI TBA)

## Executive Summary

### Vision

- The vision for *Local London* is a place which is considered **ambitious** for its economy, **aspirational** for its residents and **courageous** in its reforms.

The strategic intent of *Local London* is to:

- **Attract** inward investment to the region by means of a confident, educated and skilled workforce.
- **Encourage** local business expansion and economic growth through:
  - Instilling a culture of learning throughout all communities
  - Promoting the value of personal progression and advancement
  - Providing residents with opportunities for pathways and 'passports' to employment
- **Capitalise** on economic growth through equipping *Local London* residents with the right skills and attitude for the job market, maximising the take-up of local and regional employment opportunities.
- **Protect** and promote opportunities for the most vulnerable and disadvantaged in the sub-region.

### Priorities

- Establish a common commissioning model regarding skills provision for *Local London* which does not destabilize current provision and is devolved and accountable to SRPs, ensuring the model is capable of accommodating expansion of future devolved responsibilities. (April 2018)
- Develop an overarching, all-age CEIAG capability, where the provision is commissioned by, delivered for and accountable to *Local London*; establishing a seamless, impartial, quality provision from school through to the episodic career requirement in adulthood. (April 2019)
- Transform the delivery of post 16 education and training from a provider, supply-led system to an employment-driven, demand-led paradigm, using data from LMI, MoU partners and providers to triangulate destination results, inform CEIAG and employment trends and monitor the effectiveness and impact of the *Local London* Skills Strategy. (April 2019)

- Enact coherent and consistent policies which specifically address the imbalance of low pay and the disparity of skill levels within *Local London* compared with the average across London; developing a narrative which reflects the importance placed by *Local London* on providing through-life learning and employment opportunities for people of all ages and ability. (April 2018)
- Establish a governance framework which is ultimately accountable to the *Local London* Joint Committee (via the SEB) for the development, delivery and monitoring of an agreed Skills Strategy, establishing an executive capability which has clarity of purpose, clear lines of responsibility and appropriate levers and systems in place to make a difference. (April 2018)
- Develop a Memorandum of Understanding (MoU) between key partners (Councils, key employers and providers) which sets out expected standards and outcomes relating to the *Local London* Skills Strategy. (September 2018)
- Adopt an approach to skills development for *Local London* over the next 25 years which comprises several phases, the first phase of which prioritises the following over the next 5 years:
  - Increasing the opportunities for residents who have low level or no qualifications.
  - Increasing access to employment-related ESOL provision.
  - Streamlining the allocation of resources from disparate funding streams (AEB, Adult and Community Learning (ACL), DfE, DWP, ESF) to address the inequitable employment and life chances for those residents in *Local London* who are most vulnerable and disadvantaged, as well as those furthest from the job market.
  - Developing a universal learning and CEIAG entitlement for residents of all ages and abilities (Local London Adult Careers Advice Bureau), targeting specific skill shortages as appropriate.
  - Growing the quality and quantity of Apprenticeships at all levels in partnership with businesses and employers.
  - Developing partnerships with Higher Education Institutions (HEIs) to provide pathways and progression to higher education, in order to increase the proportion of residents within *Local London* with higher level skills and qualifications.

## Discussion

### Scope and Context

- *Local London* comprises eight London Boroughs of Barking & Dagenham, Bexley, Enfield, Greenwich, Havering, Newham, Redbridge and Waltham Forest, with a collective population of 2.3m and a working population of over 1m<sup>iv</sup>. Although the average economically active rate of the sub-region is approximately 77% which is slightly below the London average of 78%, this masks figures which show 5 out of the 8 boroughs are below the London average<sup>v</sup>.
- The overall trend in improved qualifications across *Local London* reflects the general increase in qualifications across wider London, yet the highest proportion of residents without any qualifications are unequivocally located to the East of London<sup>vi</sup>. Similarly, *Local London* contains boroughs which have the lowest proportion of working age residents qualified at Level 4 and above, (some as low as 28%), averaging 39% across the sub-region compared with 52% across London<sup>vii</sup>. This needs to be mapped against a projected requirement for 68% of the working population within *Local London* to hold higher level qualifications by 2036<sup>viii</sup>.
- Ethnic minorities make up 43% of the working age population in *Local London*, with boroughs such as Newham and Redbridge comprising BAME populations of 64% and 59% respectively<sup>ix</sup>. This brings into relief particular challenges facing *Local London*<sup>x</sup> regarding the need to ensure all residents have equality of access to support services and equality of opportunity to enter the job market<sup>xi</sup>.

### Skills Demand

#### Expansion Demand (Growth Demand)

- Economic growth in the sub-region could primarily come as one of London's 'growth corridors'; part of the expansion of the MoL's major infrastructure developments<sup>xii</sup>. As such, it is anticipated that London will increase its population by 1.1m over the next 20 years, with *Local London*'s population increasing by 400,000<sup>xiii</sup>. From a *Local London* skills perspective, this is likely to generate a generic skills demand as follows:<sup>xiv</sup>
- The sub-region will have a reduced requirement for unskilled workers.

- The sub-region will have a reduced requirement for low qualified workers (L1-L2).
- The sub-region will have an increased requirement for more skilled workers (L3+).
- The sub-region will have a requirement for more people with higher level qualifications (L4+).
- The sub-region will have an increased requirement for people with digital and technical skills.
- The sub-region will have a *replacement demand* requirement to be met over the same period (demographics) as well as a requirement for increased skill levels generated through sub-regional growth.
- The estimated employment growth per annum for Local London to 2041 is predicted at 6750 jobs per annum<sup>xv</sup> which equates to a 14% share of the growth across Greater London.
- The matching of business and employer needs with an appropriately qualified workforce is not a perfect science and can never be precise in a dynamic and fast-moving economy such as London. This is particularly the case where growth and employment opportunities within *Local London* are market-led, with the advanced infrastructure and transport links across London facilitating a mobile, London-wide labour force which can take up employment opportunities and meet market-led growth in the sub-regions.
- Whilst any new jobs and employment opportunities may initially be taken up by people from outside the sub-region, the objective of the *Local London* Skills Strategy is to upskill and re-skill its workforce so that more local employment opportunities can be taken up by local residents, as well as equipping *Local London* residents to become active participants of a mobile, London-wide labour market<sup>xvi</sup>.

### Replacement Demand

- There are a number of factors which influence replacement demand for skills which include: sub-regional demographics; labour-market progression to higher skilled jobs; Brexit.
- The demographics of Greater London indicate that the largest increase in ages between 2016-2041 are for residents aged 65-90<sup>xvii</sup>. This trend is reflected across *Local London* where all boroughs in the sub-region are predicted to reflect an increase

in population aged 65+ from 2014-2039<sup>xviii</sup>; generating an increasing replacement demand.

- Replacement demand generated by labour market progression to higher skilled, better paid jobs should be seen as a positive indicator of meeting both the needs of employers and the aspirations of local residents. Whilst it is understandable to focus on growth as a key indicator for the economy, it must be placed in context regarding skill requirement, where growth (expansion demand) may generate up to 1% increase in labour demand, whereas replacement demand can generate between 2-4% increase per annum of the employed labour force.<sup>xix</sup>
- It is difficult to predict the full effect of Brexit at this stage, but it will have an impact on net migration generally and specific sectors in particular. Net migration has been reducing in *Local London* since 2016 and is predicted to continue to reduce across the majority of boroughs out to 2041.<sup>xx</sup> This does present the opportunity, however, for lower-skilled jobs that may become vacant through Brexit to be taken up by local residents newly entering the labour market as a first step in becoming economically active. This may run counter to the projected skills requirement from the Learning and Work Institute report<sup>xxi</sup> quoted on page 6, but reflects the many variables in defining future skills requirement.

### Public Sector Requirement

- Whilst it may be difficult to plan or predict a market-led skills requirement with certainty, the public sector is better placed to predict and plan for skills growth to meet both expansion and replacement demand. The proposed increase in population within *Local London* will generate an increased skill requirement in education, health and social care sectors as well as other infrastructure requirements. As such, work can be undertaken at sub-regional level to look at both a skills escalator and supply chain model to proactively address the public sector skills requirement.

### Industry Sectors

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- It is considered appropriate to analyse the broader skill requirement for *Local London* by employment sector, which will generate a specific requirement for the sub-region and will be an amalgam of replacement and expansion demand, and reflect public and private requirement. Much of the public sector demand will come from the infrastructure requirements associated with an increase in population, with the private sector generating its increasing demand in construction, retail and accommodation and food services.
  
- The industry sectors within Local London which should be afforded priority are as follows<sup>xxii</sup>:
  - Accommodation and food services
  - Administrative and support services
  - Construction and the built environment
  - Digital
  - Cultural and Creative industries
  - Education
  - Health and social work
  - Professional, real estate, scientific and technical activities
  - Retail
  
- This is not to say that other industries such as finance and business services should be ignored, but all sectors should continue to be supported as part of routine skills development to meet both local and regional needs, as well as individual ambitions and aspirations.

## Challenges

### Skills Challenges

- Many of the skills challenges facing *Local London* are long-standing and deep-rooted, and as such, addressing them will not be easy or a quick fix. Statistics consistently reveal the following:

- The sub-region has the highest number of residents across London with no qualifications (>10%)<sup>xxiii</sup>.
  - The sub-region has the lowest number of job holders with higher level qualifications (42%) compared with the rest of London (61%)<sup>xxiv</sup>.
  - The sub-region has a high level of demand for ESOL, with the current *Local London* ESOL provision being outstripped by demand<sup>xxv</sup>.
- A sustained and long term approach regarding skills is required to significantly improve the life chances of *Local London* residents, with a strategy comprising several phases. The first phase will focus on the key components set out under Priorities (page 4) as part of the overarching strategy to deliver the 25 year vision (a generation) for the sub-region.

## Social Challenges

- There are a range of social challenges facing the sub-region, and articulating the key issues will enable deliberate actions to be taken to address them and for resources to be prioritised accordingly. Social challenges facing *Local London* include the following:
  - Boroughs have an average economically active rate of its working age population below the rest of London<sup>xxvi</sup>.
  - All boroughs have lower than average levels of pay compared with the rest of London.<sup>xxvii</sup> (Average £50p/w lower than London average, with females in Barking & Dagenham earning £183 less p/w than London males)
  - The majority of boroughs (7 out of 8 boroughs) have higher levels of NEETS compared with the London average, with *Local London* boroughs occupying 7 out of the highest 11 places across Greater London.<sup>xxviii</sup>
  - Borough residents have difficulty accessing ESOL courses which presents barriers to support facilities and the job market<sup>xxix</sup>.
  - Borough residents do not have access to an impartial, all-age CEIAG provision which presents barriers to entering employment, access to upskilling and re-skilling opportunities and inhibits pathways to higher education and Apprenticeships<sup>xxx</sup>.
  - Borough residents experience significant ethnic and gender gaps in gaining qualifications and subsequent employment opportunities.<sup>xxxi</sup>

- Borough residents with SEND reflect the significant London-wide gap of gaining qualifications and employment opportunities compared with those who do not have SEND; a gap of 25% compared with 69%<sup>xxxii</sup>.
- These and other challenges will be addressed in a coherent and inclusive manner, working in partnership with providers and funding agencies to ensure action plans are effective in their intent and efficient in their delivery.

### Business Challenges

- In the short term, *Local London's* employment and skills needs will continue to be met by the mobile London-wide labour market. However, the key task for *Local London* is to provide the opportunity for local residents to be upskilled and re-skilled to take advantage of the employment opportunities presented. It is vital, therefore, for businesses and employers to be fully engaged with the *Local London* Skills Strategy and contribute to the systems and processes which will inform both immediate skill needs and assist in the planning and resourcing of future needs.
- In maximising growth opportunities, businesses and employers need to be reassured, as a minimum requirement, that they have ready access to a qualified and skilled workforce as part of the replacement demand necessary for business continuity and growth. Accurate and timely LMI is therefore essential if providers are to meet the requirements of an employment, demand-led skills system; ensuring supply aligns with demand.
- With regard to Apprenticeships, London employers generally have lower than average Apprenticeship opportunities compared with UK, which is reflected within *Local London*. At the same time, *Local London* has a large number of SMEs and micro businesses which only adds further complexity in maximising Apprenticeship opportunities across the sub-region.
- A number of actions will be undertaken by *Local London* to address the business challenges facing the sub-region which include:

- Harmonising the system and collation of LMI and related data sets with other SRPs in order to provide clarity and consistency of baseline evidence in determining the priority for skills and training requirement generally.
- Developing roles and responsibilities within the *Local London* Programme Unit which includes having a focus on skills, commissioning activities and governance.
- Establishing a pro-active brokering service for employers (both public and private sectors) SMEs and microbusinesses to access Apprenticeship information and the levy system.
- Establishing a focus for a *Local London*, impartial, all-age CEIAG provision (see below).
- Developing an appropriately configured Skills and Employment Board (SEB) which plays an integral role in: determining the skills requirement for *Local London*; bringing together employers and providers in a strategic setting; holding key signatories to a Memorandum of Understanding to account as part of the governance framework.
- Developing an MoU with key stakeholders as a main component of the Skills Strategy, developed and monitored by the *Local London* SEB.

## Next Steps

- Consult widely with Local London key stakeholders in the development of a deliverable, yet ambitious Skills Strategy. (April 2018)
- Establish a SEB and governance structure which aligns with GLA proposals and other SRPs. (April 2018)

- Investigate the viability of developing a one stop shop for a *Local London* Adult Careers Advice Bureau (ACAB) (April 2018), which provides signposting, brokerage services and life and career guidance which potentially addresses the following issues:
  - Inability of adults to gain all-age advice to break free from low paid work
  - Inability of those furthest from work to enter job market
  - Addresses low skills levels of *Local London*
  - Reinforces the demand-led paradigm as a systems approach to tackling skill shortages
  - Targets specific skill shortages in London at all levels
  - Addresses the perceived mismatch between employer needs and provider outcomes
  - Lack of apprenticeship uptake by individuals
  - Lack of knowledge of skills system by SMEs (brokerage proposal)
  - Maximises the London levy
  - Liaison with other providers to encourage and promote development of technical qualifications
  - Pulls together existing IAG practices and other services to provide a capability which is more holistic, cost-effective and accessible to residents of *Local London*
- Develop an implementation plan with agreed KPIs and metrics to measure the impact and effectiveness of the *Local London* Skills Strategy. (September 2018)

#### End Notes:

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<sup>i</sup> Devolved Skills System in London; Principles for Joint Working between the GLA and London's sub-regional partnerships; June 2017.

<sup>ii</sup> GLA Skills for Londoners; A draft skills and adult education strategy for London, November 2017.

<sup>iii</sup> London's Growth Boroughs; Convergence Framework 2011-15.

<sup>iv</sup> Annual Population Survey (APS) Nomis – Official Labour Market Statistics, 2017.

<sup>v</sup> Annual Population Survey (APS) Nomis – Official Labour Market Statistics, 2017

<sup>vi</sup> GLAEconomics, May 2017

<sup>vii</sup> Annual Population Survey, Nomis, January 2017.

<sup>viii</sup> GLAEconomics Working Paper 79, Trends in the demand for labour and skills in London and the East sub-region, May 2016.

<sup>ix</sup> Learning and Work Institute; Employment Devolution for Local London, April 2016 (Internal Report)

- <sup>x</sup> London Adult Community Learning Review Report; November 2016.
- <sup>xi</sup> Towards an ESOL Strategy for England; NATECLA, October 2016.
- <sup>xii</sup> London's Strategic Infrastructure Requirements, ARUP, July 2017.
- <sup>xiii</sup> London's Strategic Infrastructure Requirements, ARUP, July 2017.
- <sup>xiv</sup> Learning and Work Institute; Employment Devolution for Local London, April 2016 (Internal Report)
- <sup>xv</sup> GLAEconomics London labour Markey Projections 2017.
- <sup>xvi</sup> GLAEconomics Working Paper 79, Trends in the demand for labour and skills in London and the East sub-region, May 2016.
- <sup>xvii</sup> GLAIntelligence 2016 Trend-based Projection Results, July 2017.
- <sup>xviii</sup> ONS Subnational Population Projections for Local Authorities in England: Table 2, 2014.
- <sup>xix</sup> UKCES, Working futures 2012-2022 Evidence report 83, March 2014.
- <sup>xx</sup> GLAIntelligence 2016 Trend-based Projection Results, July 2017.
- <sup>xxi</sup> Learning and Work Institute; Employment Devolution for Local London, April 2016 (Internal Report)
- <sup>xxii</sup> GLAEconomics Working Paper 79, Trends in the demand for labour and skills in London and the East sub-region, May 2016.
- <sup>xxiii</sup> GLAEconomics, May 2017.
- <sup>xxiv</sup> GLAEconomics Working Paper 79, Trends in the demand for labour and skills in London and the East sub-region, May 2016.
- <sup>xxv</sup> London Adult Community Learning Review Report; March 2017.
- <sup>xxvi</sup> Annual Population Survey (APS) Nomis – Official Labour Market Statistics, 2017.
- <sup>xxvii</sup> Annual Population Survey (APS) Nomis – Official Labour Market Statistics, 2017.
- <sup>xxviii</sup> GLAIntelligence, London Borough Atlas 2015.
- <sup>xxix</sup> Learning and Work Institute - Mapping ESOL Provision in Greater London, May 2017
- <sup>xxx</sup> Local London Stakeholder Workshop, November 2017.
- <sup>xxxi</sup> GLAEconomics London Skills Strategy: Building the Evidence Base, May 2017.
- <sup>xxxii</sup> GLAEconomics London Skills Strategy: Building the Evidence Base, May 2017.